

From: Knight, Rob (UK - St Albans) <robknight@deloitte.co.uk>
To: Stephen Chamberlain <stephenc@autonomy.com>; Welham, Lee (UK - Cambridge) <lwelham@deloitte.co.uk>
Cc: Sushovan Hussain <sushovanh@autonomy.com>
Date: 12 Oct 2009 at 20:38 (UTC Z)
Subject: RE: strategic appliance sales

Steve/Sushovan,

Can we get anything from EMC quantifying the hardware amount?

Is there a set marketing programme or any further information available which can help us to quantify the marketing element - eg a joint marketing plan or similar? Evidence which helps us understand the marketing side in some more depth would be very helpful.

Again on the appliance development, is there anything to further substantiate the amount of development you are funding as opposed to relying on this being a balancing figure.

Thanks

Rob

From: Stephen Chamberlain [mailto:stephenc@autonomy.com]
Sent: 12 October 2009 21:24
To: Knight, Rob (UK - St Albans); Welham, Lee (UK - Cambridge)
Cc: 'Sushovan Hussain'
Subject: FW: strategic appliance sales

See below from Sushovan.

I have provided an analysis of standard reseller rates as well as evidence from EMC regarding the fact that we are paying for hardware and marketing incentive. Below is further explanation of what we are getting for our marketing \$'s. There is an argument that some of this is future development costs but we did not feel we met IAS38 definitions and so have expensed those balances.

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From: Sushovan Hussain [mailto:sushovanh@autonomy.com]
Sent: 12 October 2009 21:20
To: 'Stephen Chamberlain'
Subject: strategic appliance sales

Steve,

Auditors already have our draft memo which explains the strategic supplier relationship we have established with the likes of Citi, jpmc, Morgan Stanley etc by selling both software and hardware for compliance application. In addition I have explained the nature of the relationship with the suppliers emc, hds and acs to the auditors. The driving force for the sales has come from our joint customers. The customer relationships are very hard to achieve and Autonomy has accepted that for its part paying for the marketing, sales and r&d effort of the h/w vendors is of major long term benefit. EMC and autonomy are developing an appliance for the future and we are engaged in negotiations with HDS for installing our software on their hardware for our data centres.

In terms of the accounting we have provided evidence of the reseller margin, so the remainder of the cost is accounted as sales, marketing and r&d – we have allocated to sales and marketing. The non reseller margin monies are being used to incentivise the emc, hds, acs salesforce, provide discounts to the customer, provide funds for the development of the appliances, to hold marketing programs (e.g. we attended a major EMC marketing event for JPMC last week which we would not have without the marketing dollars). We would strongly argue that a large proportion of the monies are being used for the development of the appliance which has significant future value but we have taken a very prudent view and have expensed the total amounts. The sales and marketing spend has resulted in new accounts being developed – for example more deals have been identified already.

Please let me know what additional information the auditors need but we are being prudent in our accounting. Add what you need that is relevant otherwise feel free to share this email with Rob and Lee.

Regards
Sushovan

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